

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 90-096-C - ORDER NO. 92-337
MAY 7, 1992

IN RE: Application of Telegroup, Inc. for)	
a Certificate of Public Convenience)	ORDER
and Necessity to Operate as a Reseller)	GRANTING
of Intrastate Telecommunications)	CERTIFICATE
Services within the State of)	
South Carolina.)	

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of the Application of Telegroup, Inc. (Telegroup or the Company) requesting a Certificate of Public Convenience and Necessity authorizing it to operate as a reseller of telecommunications services in the State of South Carolina. Telegroup's Application was filed pursuant to S.C. Code Ann. §58-9-280 (1976) and the Regulations of the Public Service Commission of South Carolina.

The Commission's Executive Director instructed the Company to publish a prepared Notice of Filing in newspapers of general circulation in the affected areas one time. The purpose of the Notice of Filing was to inform interested parties of the Company's Application and the manner and time in which to file the appropriate pleadings for participation in the proceeding. The Company complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. Petitions to

Intervene were filed by the Consumer Advocate for the State of South Carolina (the Consumer Advocate), and by Southern Bell Telephone & Telegraph Company (Southern Bell).

A hearing was commenced on April 28, 1992, at 11:00 a.m. in the Commission's Hearing Room. The Honorable Marjorie Amos-Frazier, Chairman, presided. Stephen Surasky, Esquire, and Andrea S. Miano, Esquire, represented Telegroup. Carl F. McIntosh, Esquire, represented the Consumer Advocate. Caroline N. Watson, Esquire, represented Southern Bell; and F. David Butler, Staff Counsel, represented the Commission Staff.

At the beginning of the hearing, Southern Bell announced that it had entered into a stipulation with Telegroup. The terms of said Stipulation are as follows:

- (1) Any grant of authority should clearly be for interLATA services only.
- (2) If any intraLATA calls are "inadvertently" completed by the carrier, the carrier should reimburse the LEC pursuant to the Commission's Order in PSC Docket No. 86-187-C. The definition of such inadvertent completion is as contained in such Order.
- (3) All operator services should be only for interLATA calls and any "0+" or "0-" intraLATA calls should be handed off to the LEC.
- (4) Nothing in 1, 2, or 3 above shall prohibit Telegroup, Inc. from offering any services authorized for resale by tariffs of facility based carriers approved by the Commission.

After introducing the Stipulation into evidence as Hearing Exhibit 1, Southern Bell withdrew its participation in the case.

FINDINGS OF FACT

1. Telegroup is a corporation incorporated in the State of Iowa. Telegroup is authorized to do business in South Carolina. Telegroup is a switchless reseller which provides interstate, interexchange long distance telephone service. It offers intrastate interexchange telecommunications services on a resold basis by obtaining volume discounted services from facility-based carriers. Telegroup seeks a Certificate of Public Convenience and Necessity to operate as a reseller of interexchange services on an interLATA basis within the State of South Carolina. Application.

2. Telegroup presented the testimony of Clifford Rees, President of the Company. Mr. Rees testified that Telegroup's underlying carrier is AT&T and that the Company planned to resell AT&T's Software Defined Network (SDN) and Distributed Network Services (DNS). Mr. Rees explained that the Company did not intend to carry intraLATA traffic. He testified Telegroup will provide 1+ services to its end-users. The Company markets its services to small and medium sized businesses.

3. Mr. Rees testified that Telegroup does not intend to offer operator services.

4. Mr. Rees testified that the Company operates on an interstate basis in 15 states and has applications for certification pending in 18 states, not including South Carolina.

5. Mr. Rees testified that Telegroup would provide South Carolina consumers with a competitive long distance price and that by lowering the costs of telecommunications, smaller businesses

would be able to maintain their communications costs at levels that are equivalent to very large long distance users.

6. Telegroup agreed to abide by all Commission regulations and orders regarding its rates and service.

CONCLUSIONS OF LAW

1. The Commission concludes that Telegroup has the experience, capability, and financial resources to provide the service described in its Application and by Mr. Rees' testimony.

2. The Commission concludes that South Carolina telephone users and the State itself will benefit by the services intended to be provided by Telegroup. Accordingly, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to Telegroup to provide intrastate, interLATA service through the resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), Foreign Exchange Service, Private Line Services, or any other services authorized for resale by tariffs approved by the Commission.

3. Should Telegroup complete any unauthorized intrastate intraLATA calls, the Company will be required to compensate the local exchange companies for the unauthorized calls it carries pursuant to Commission Order No. 86-793 in Docket No. 86-187-C.

4. The Commission adopts a rate design for Telegroup for its resale services which includes only maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application

of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984). The Commission adopts Telegroup's proposed maximum rate tariffs.

5. Telegroup shall not adjust its rates below the approved maximum level without notice to the Commission and to the public. Telegroup shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. Any proposed increase in the maximum rate level reflected in the tariff which would be applicable to the general body of Telegroup's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp. 1991).

6. Telegroup shall file its tariff and an accompanying price list in a loose leaf binder to reflect the Commission's findings within thirty (30) days of the date of this Order. Telegroup's provisions regarding advance payments and deposits if any, shall comply with 26 S.C. Regs. 103-621 (Supp. 1991).

7. Telegroup is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers should be treated similarly to facilities-based interexchange carriers.

8. With regard to Telegroup resale of services, an end user should be able to access another interexchange carrier or operator service provider if they so desire.

9. Telegroup shall resell the services of only those

interexchange carriers or LEC's authorized to do business in South Carolina by this Commission. If Telegroup changes underlying carriers, it shall notify the Commission in writing.

10. Telegroup shall file surveillance reports on a calendar or fiscal year basis with the Commission as required by Order No. 88-178 in Docket No. 87-483-C. The proper form for these reports is indicated on Attachment A.

11. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

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ATTACHMENT A

ANNUAL INFORMATION ON SOUTH CAROLINA OPERATIONS
FOR INTEREXCHANGE COMPANIES AND AOS'S

(1) SOUTH CAROLINA OPERATING REVENUES FOR THE 12 MONTHS ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.

(2) SOUTH CAROLINA OPERATING EXPENSES FOR THE 12 MONTHS ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.

(3) RATE BASE INVESTMENT IN SOUTH CAROLINA OPERATIONS* FOR 12 MONTHS
ENDING DECEMBER 31 OR FISCAL YEAR ENDING _____.

*THIS WOULD INCLUDE GROSS PLANT, ACCUMULATED DEPRECIATION,
MATERIALS AND SUPPLIES, CASH WORKING CAPITAL, CONSTRUCTION WORK IN
PROGRESS, ACCUMULATED DEFERRED INCOME TAX, CONTRIBUTIONS IN AID OF
CONSTRUCTION AND CUSTOMER DEPOSITS.

(4) PARENT'S CAPITAL STRUCTURE* AT DECEMBER 31 OR FISCAL YEAR ENDING
_____.

*THIS WOULD INCLUDE ALL LONG TERM DEBT (NOT THE CURRENT PORTION
PAYABLE), PREFERRED STOCK AND COMMON EQUITY.

(5) PARENT'S EMBEDDED COST PERCENTAGE (%) FOR LONG TERM DEBT AND
EMBEDDED COST PERCENTAGE (%) FOR PREFERRED STOCK AT YEAR ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.

(6) ALL DETAILS ON THE ALLOCATION METHOD USED TO DETERMINE THE
AMOUNT OF EXPENSES ALLOCATED TO SOUTH CAROLINA OPERATIONS AS WELL
AS METHOD OF ALLOCATION OF COMPANY'S RATE BASE INVESTMENT (SEE #3
ABOVE).